



FACT SHEET

FUNDING IN RESPONSE TO SEPTEMBER 11

PREPARED BY: MAJORITY STAFF, SENATE BUDGET COMMITTEE

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The terrorist attacks of September 11 required an unprecedented response to provide the funding necessary not only for relief and recovery from the attacks, but also for a decisive military response against the Al Qaeda network. Within days of the attacks, Congress and the President agreed to \$40 billion in emergency supplemental funding related to the September 11 attacks (P.L. 107-038) – \$20 billion made available at that time and \$20 billion appropriated following a detailed request from the administration (P.L. 107-117). Additional legislation was enacted in the following months, including another \$24 billion in emergency appropriations and financial relief for the airline industry and for victims of the terrorist attacks.

This fact sheet details the resources committed to the response, relief, and recovery from the September 11 attacks. The fact sheet makes clear that while these investments have appropriately been significant, spending related to the September 11 attacks is actually responsible for a relatively small share of the vanishing surpluses of the last year and a half. Specifically, the fact sheet reaches the following conclusions:

- More than \$75 billion in budget authority has been provided in response to the attacks of September 11, resulting in outlays of almost \$34 billion during fiscal years 2001 and 2002;
- Spending related to the attacks of September 11 is responsible for just 11 percent of the loss of projected surpluses for 2002 through 2011 that has occurred since January 2001;
- The loss of revenues in 2002 through 2011 from tax cuts enacted since January 2001 is three times greater than the increase in spending related to the September 11 attacks; and,
- Even in the short term, spending related to the September 11 attacks has played a relatively minor role in the federal budget's return to deficits.

❖ **More Than \$75 Billion in Budget Authority Has Been Provided in Response to the September 11 Attacks**

Congress and the President responded quickly and decisively to provide the funding needed for relief and recovery from the September 11 attacks, for a military response against the Al Qaeda network, and for improvements in homeland security to prevent further attacks. In total, based on estimates of the Congressional Budget Office (CBO), more than \$75 billion in budget authority has been provided in response to the attacks of September 11. About 85 percent of that funding has been provided through three emergency supplemental appropriation bills (Public Laws 107-038, 107-117, and 107-206). The remaining authority has come through mandatory spending legislation, such as the Air Transportation Safety and System Stabilization Act (P.L. 107-042). Table 1 lists the public laws enacted in the aftermath of September 11 and the amounts of new spending authority provided in each piece of legislation, as estimated by the Congressional Budget Office and including any reestimates of the original cost estimates (such as the costs of the airline loan guarantee authority and victims' compensation provided in P.L. 107-042). Additional information is provided for each public law toward the end of this fact sheet.

| Table 1 – Estimated Spending Authority Related to September 11 Attacks* | | | | |
|--------------------------------------------------------------------------------|---------------|---------------|--------------|---------------|
| (budget authority; \$ millions) | 2001 | 2002 | 2003-2011 | 2001-2011 |
| 2001 \$20 Billion Supplemental, PL 107-038 | 20,000 | 0 | 0 | 20,000 |
| Air Safety and Stabilization Act, PL 107-042 | 5,000 | 1,032 | 5,410 | 11,442 |
| USA PATRIOT Act, PL 107-056 | 0 | 104 | 161 | 265 |
| 2002 \$20 Billion Supplemental, PL 107-117 | 0 | 20,008 | 0 | 20,008 |
| Victims of Terrorism Act, PL 107-134 | 0 | 190 | 165 | 355 |
| Bioterrorism Act, PL 107-188 | 0 | 0 | 9 | 9 |
| Summer 2002 Supplemental, PL 107-206 . . . | <u>0</u> | <u>24,221</u> | <u>0</u> | <u>24,221</u> |
| Total Budget Authority Related to 9-11 . . . | 25,000 | 45,555 | 5,745 | 76,300 |

*As estimated by the Congressional Budget Office, updated for any reestimates. Because it deals only with increases in spending, the table does not include \$5 billion of September 11-related tax benefits provided for New York City in Title III of the Job Creation and Worker Assistance Act.

❖ **Federal Outlays Have Increased by Less than \$35 Billion Over the Last Year as a Result of the September 11 Attacks**

While Table 1 details the budget authority provided to date in response to the attacks of September 11, Table 2 estimates the increase in outlays in 2001 and 2002 resulting from the more than \$75 billion in budget authority. When appropriation bills provide budget authority, they provide agencies with the authority to enter into contracts and other obligations. The actual spending that flows from those obligations, however, typically occurs over several years. It is this spending, or outlays from the Treasury, that (along with the revenues that flow into the Treasury) determines the size of the deficit or surplus each year. As such, Table 2 shows the estimated impact of the attacks of September 11 on the surplus and deficit totals for 2001 and 2002 (excluding resulting increases in interest costs). The remaining budget authority of roughly \$40 billion (\$75 billion less almost \$35 billion) will contribute to the size of the deficit or surplus in years after 2002.

| Table 2 – Estimated 2001 and 2002 Outlays Related to September 11 Attacks* | | | |
|-----------------------------------------------------------------------------------|----------|--------------|--------------|
| (outlays; \$ millions) | 2001 | 2002 | 2001-2002 |
| 2001 \$20 Billion Supplemental, PL 107-038 | 131 | 13,397 | 13,528 |
| Air Safety and Stabilization Act, PL 107-042 | 2,328 | 3,704 | 6,032 |
| USA PATRIOT Act, PL 107-056 | 0 | 104 | 104 |
| 2002 \$20 Billion Supplemental, PL 107-117 | 0 | 7,974 | 7,974 |
| Victims of Terrorism Act, PL 107-134 | 0 | 190 | 190 |
| Bioterrorism Act, PL 107-188 | 0 | 0 | 0 |
| Summer 2002 Supplemental, PL 107-206 . . . | <u>0</u> | <u>5,926</u> | <u>5,926</u> |
| Total Outlays Related to 9-11 | 2,459 | 31,295 | 33,754 |

*As estimated by the Congressional Budget Office, updated for any reestimates. Because it deals only with increases in spending, the table does not include \$5 billion of September 11-related tax benefits provided for New York City in Title III of the Job Creation and Worker Assistance Act.

❖ **Spending Related to the September 11 Attacks is Not Responsible for the Federal Budget's Return to Deficits**

Federal spending has increased as a result of the attacks of September 11. One way of analyzing this increase in spending is to examine the effects of legislation already enacted in response to the September 11 attacks. Tables 1 and 2 summarize the legislation enacted to date and the corresponding increase in budget authority and outlays estimated to result from those public laws.

Another way of analyzing the effect of the September 11 attacks on the federal budget, however, is to look at the estimated long-term impact of the federal government's response to those attacks. Because appropriations bills are done one year at a time, this analysis requires that current year appropriations (fiscal year 2002 in this case) be extended at projected rates of inflation to approximate the spending that will occur in future appropriations bills. Table 3 presents this baseline analysis, which is taken from CBO's most recent *Budget and Economic Update*. The table separates out the impact of outlays (including associated interest costs) related to the September 11 attacks from other factors estimated by CBO to contribute to the decline in federal surpluses over the 2002 - 2011 period since the release of its January 2001 report.

As Table 3 shows, CBO estimates that baseline spending related to the September 11 attacks has increased by \$600 billion over the 2002 - 2011 period (including associated interest costs) since January 2001. As required by law, the estimated increase of \$600 billion includes the extension at projected rates of inflation of the \$44 billion in 2002 supplemental budget authority (Public Laws 107-117 and 107-206). While significant, that increase accounts for just 11 percent of the vanishing surpluses. By comparison, tax cuts enacted since January 2001 account for \$1.8 trillion (including associated interest costs) of the forgone surpluses over the 10-year time period, or roughly three times the amount attributed to the attacks of September 11.

**Table 3 – Changes in CBO Total Surplus/Deficit Projections
January 2001 - August 2002**

| (\$ billions) | 2002 | 2003 | 2002-2011 | % |
|---------------------------------------------|-----------|-----------|------------|------------|
| CBO January 2001 Surplus | 313 | 359 | 5,610 | --- |
| Tax cuts | -86 | -143 | -1,768 | 34% |
| September 11-related spending* | 31 | 45 | 600 | 11% |
| Other legislation | 33 | 51 | 585 | 11% |
| Economic changes | 120 | 114 | 792 | 15% |
| Technical changes | 200 | 152 | 1,529 | 29% |
| CBO August 2002 Surplus/Deficit | -157 | -145 | 336 | --- |

*The \$5 billion in September 11-related tax benefits provided to New York City in Title III of the Job Creation and Worker Assistance Act is included under Tax Cuts in this table.

❖ **Even in the Short Term, Spending Related to September 11 Has Played a Relatively Minor Role in the Federal Budget's Return to Deficits**

Despite attempts by some to blame the attacks of September 11 for the deterioration in the federal budget, the reality is that even in the short term such spending has had a relatively minor impact on the vanishing surpluses. As Table 4 shows, in both fiscal years 2002 and 2003, estimated spending related to the September 11 attacks (including associated interest costs) accounts for less than 10 percent of the decline in CBO's baseline budget projections since January 2001.

**Table 4 – Changes in CBO Surplus/Deficit Projections
for 2002 and 2003**

| (\$ billions) | 2002 | % | 2003 | % |
|---------------------------------------------|-----------|-----------|-----------|-----------|
| CBO January 2001 Surplus | 313 | --- | 359 | --- |
| Tax cuts | -86 | 18% | -143 | 28% |
| September 11-related spending* | 31 | 7% | 45 | 9% |
| Other legislation | 33 | 7% | 51 | 10% |
| Economic changes | 120 | 26% | 114 | 23% |
| Technical changes | 200 | 43% | 152 | 30% |
| CBO August 2002 Surplus/Deficit | -157 | --- | -145 | --- |

*The \$5 billion in September 11-related tax benefits provided to New York City in Title III of the Job Creation and Worker Assistance Act is included under Tax Cuts in this table.

❖ **Legislation Enacted in Response to the September 11 Attacks**

Congress Passed and the President Signed Into Law \$64 Billion in Emergency Supplemental Funding in Response to the September 11 Attacks.

In response to the September 11 attacks, \$64 billion in emergency funding has been provided in three supplemental appropriation bills. CBO estimates that \$27 billion of this funding will be spent by the end of 2002; the rest will be spent over the next several years.

Within days of the attacks, Congress and the President agreed to a \$40 billion emergency supplemental appropriation bill (P.L.107-38) to combat terrorism, support recovery efforts, and provide disaster relief. However, the legislation provided that only the first \$20 billion could be allocated by the President without further congressional action. (Of that, \$10 billion was immediately available to the President, and \$10 billion was available 15 days after the President notified Congress on how the funds would be allocated. The entire \$20 billion was counted as 2001 budget authority.) The second \$20 billion could not be obligated until subsequent legislation was enacted. Congress included the second \$20 billion under a separate title in the FY 2002 Department of Defense appropriation bill (P.L.107-117).

An additional \$24 billion was included in the FY 2002 emergency supplemental appropriation bill (P.L. 107-206) enacted this summer. Congress also provided \$5.1 billion in emergency funding contingent on the President designating the total amount as emergency spending within 30 days of enactment. On August 13, the President announced that he would not declare the \$5.1 billion as emergency spending, thereby eliminating the funding.

As Table 5 shows, of the first \$20 billion, almost \$14 billion went to defense-related activities, while \$6.3 billion was for nondefense agencies, including \$2.9 billion for assistance to New York City. In contrast, of the second \$20 billion, less than \$4 billion was for defense and \$16.1 billion was for nondefense purposes, with \$7.2 billion of the nondefense spending allocated for New York City. Finally, in the recently enacted 2002 supplemental, \$13.3 billion was for defense and almost \$11 billion was for nondefense purposes, with \$5.4 billion of the nondefense funds allocated for New York City.

Table 5 – Total Emergency Supplemental Funding Provided In Response to the Attacks of September 11

| (budget authority; \$ billions) | 2001 \$20 billion | 2002 \$20 billion | Summer 2002 | Total |
|---------------------------------|-------------------|-------------------|-------------|-------------|
| Defense | 13.7 | 3.9 | 13.3 | 30.9 |
| Homeland Security/International | 3.3 | 8.9 | 5.5 | 17.8 |
| New York City | 2.9 | 7.2 | 5.4 | 15.6 |
| Total | 20.0 | 20.0 | 24.2 | 64.2 |

Air Transportation Safety and System Stabilization Act (P.L. 107-42). Enacted on September 22, 2001, to limit the damage sustained by the airline industry as a result of the attacks, P.L. 107-42 caps the liability of air carriers involved in the September 11 crashes; provides grants, loan guarantees, insurance, and other financial assistance to the airline industry; and establishes a compensation fund for victims of the terrorist attacks in New York, Pennsylvania, and Virginia. CBO originally estimated the legislation would increase spending by \$13.6 billion over the 2001 - 2011 period. It has since reestimated several of

the bill's provisions, including the cost of the airline loan guarantees and payments from the victims' compensation fund, lowering the estimated cost by more than \$2 billion.

USA PATRIOT Act (P.L. 107-56). Enacted on October 26, 2001, P.L. 107-56 increases federal payments to families of public safety officers killed in the line of duty and expands the powers of federal law enforcement to investigate and prosecute terrorist acts and financial crimes, as well as establishes new crimes and increases penalties for acts of terrorism. CBO estimates the act will increase spending by \$265 million between 2002 and 2011.

Victims of Terrorism Tax Relief Act (P.L. 107-134). Enacted on January 23, 2002, P.L. 107-134 provides \$10,000 in financial assistance to the estates of individuals who died as a result of injuries or illness sustained in the September 11 attacks, the Oklahoma City bombing, or the anthrax attacks of last fall. CBO estimates the law will cost \$355 million over the 2002 - 2011 period.

Public Health Security and Bioterrorism Preparedness and Response Act (P.L. 107-188). Enacted on June 12, 2002, P.L. 107-188 provides the Departments of Health and Human Services and Agriculture with greater authority to regulate the possession, use, and transfer of certain biological agents and toxins, as well as creates new civil penalties for violations of the regulations. It also allows the Department of Health and Human Services to temporarily waive certain requirements of Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP) during presidentially declared disasters or a public health emergency. CBO estimates that costs attributable to the use of this waiver authority will total about \$9 million over the 2002 - 2011 period.

Title III, Job Creation and Worker Assistance Act (P.L. 107-147). Enacted on March 9, 2002, to provide economic stimulus and displaced worker assistance, P.L. 107-147 includes a title that provides tax-based assistance for New York City, including an expanded work opportunity tax credit, special tax-exempt bond rules, special accounting rules for small businesses, and other depreciation changes for areas of New York City damaged by the September 11 attacks. CBO estimates that these provisions will reduce revenues by \$5 billion over the 2002 - 2011 period. Because the above tables discuss changes in spending related to the attacks of September 11, they do not include the estimated loss of revenues from Title III.

❖ **Additional Legislation Could Be Enacted This Year That Would Further Increase Spending Related to the September 11 Attacks**

In addition to the legislation listed in the previous section, Congress could send to the President this year further legislation that addresses the attacks of September 11. Because this legislation has not been enacted, they were not incorporated in CBO's August Update or included in the above tables or discussion.

2003 Appropriations Bills. For 2003, the President has requested a substantial increase in spending for defense activities, some of which is related to the attacks of September 11. In addition, the President's 2003 budget requests an increase in funding for homeland security. Both the Senate and House are on record in support of the President's requests for defense and homeland security. The increase in spending from enacting the President's

2003 requests for defense and homeland security, however, is largely accounted for under CBO's August projections, which extend and adjust for inflation the recently enacted supplemental of \$24.2 billion. CBO's updated discretionary baseline for 2003 of \$754.6 billion, however, is still almost \$13.5 billion less than the President's total request for 2003 discretionary budget authority of \$768.1 billion (although not all of that increase is related to the attacks of September 11).

National Homeland Security and Combating Terrorism Act of 2002 (S. 2452). S. 2452 would establish a new Department of Homeland Security to promote homeland security, prevent domestic attacks, and assist in the recovery from any attacks or other natural or man-made disasters that occur within the United States. In doing so, the bill would consolidate 25 existing federal agencies or portions of agencies within the new department. S. 2452 also would establish a National Office for Combating Terrorism within the Executive Office of the President to coordinate threat assessments and craft and oversee a National Strategy to Combat Terrorism. Although the President has claimed that this new federal agency can be created without any additional cost, few analysts believe that is realistic or likely.

Terrorism Risk Insurance Act of 2002 (H.R. 3210). H.R. 3210 would establish a temporary federal program whereby the federal government would provide up to \$100 billion in financial assistance to commercial property and casualty insurers for losses from terrorist acts committed within two years of the bill's enactment. The temporary program would provide the insurance industry with the time to assess how September 11 has changed the risks of insurance claims resulting from terrorist attacks. In addition, it also would ensure that affordable property and casualty insurance remains available for buyers of insurance.

Prepared by Senate Budget Committee Majority Staff
Chairman Kent Conrad (D-ND)